
REQUEST FOR QUALIFICATIONS

HOUSING IMPROVEMENT PROGRAM INITIATIVE

To finance the rehabilitation of multi-family residential buildings to preserve multi-family rental housing for low and moderate income DMH consumers



Appropriated Funding

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REQUEST FOR QUALIFICATIONS
For
HOUSING IMPROVEMENT PROGRAM INITIATIVE

Overview

The District of Columbia Department of Housing and Community Development (DHCD) is seeking to participate with an organization (“Grantee”) who can provide funding for the rehabilitation and construction of small multi-family, apartment building units that provide housing to mentally ill individuals. This program will be designed to preserve multi-family housing for low and moderate income tenants, using a partnership approach between the District of Columbia tenant community, financial institutions interested in developing rental properties, owners of District of Columbia rental property and representatives of the District of Columbia government.

Situation: In October of 2007, the DHCD and District of Columbia Department of Mental Health (DMH) entered into a Memorandum of Understanding (MOU) where DHCD will oversee DMH capital funding of approximately \$14 million to develop 300 affordable units over a two year period for the exclusive use of DMH Consumers. The term “DMH Consumers” refers to adults, children or youth who are eligible to receive mental health services or supports funded or regulated by the DMH.

Multi-family rental DMH unit providers find it increasingly difficult to improve their apartments due to the lack of readily accessible resources. Resources are needed for these landlords and owners to quickly respond to problems that may arise within their individual DMH units.

Approach: DHCD will distribute the Funds as a grant to an organization, using up to \$1 million from the \$14 million acquired through the MOU, pursuant to a DHCD Housing Improvement Program (“HIP”) initiative. The initiative will leverage DMH grant funds with private and public funds to provide quick-closing, easily accessible funds to small DMH permanent supportive unit providers. The funds must be awarded as grant monies and must be used as grants for units set aside for DMH Consumers. The grant funds to be administered will be used for the public purpose of funding the rehabilitation of affordable housing units (“DMH Units”) in the District of Columbia for the exclusive use of DMH Consumers. Such uses may include:

- Capital improvements to existing properties.
- Pre development costs, including but not limited to third party reports, earnest money deposits, option fees, architectural drawing or renderings, appraisals and physical inspections.

The HIP initiative will leverage DMH grant funds with public and private financial resources, assist entities which are already actively funding affordable housing development for the mentally ill in the District, and provide a streamlined process to

administer rehab and construction funding, by participating with Grantees who are investing their own funds together with DMH grant funds.

Role of the Grantee

DHCD will invest or deposit funds, to be administered as grants, to a Grantee to leverage the Grantee's housing improvement activities. DHCD intends to select a single grantee. The Grantee would:

- Receive a Master Grant from DHCD.
- Use the proceeds of the Master Grant together with its own monies to make quick-closing grants and/or loans to owners/landlords for eligible projects (Grantee will determine terms of its own funds, subject to DHCD approval).
- Market, underwrite, originate and service the grants.
- Report to DHCD on the use of the funds under the Initiative.

The terms and conditions of the Master Grant to Grantee are described in **Attachment 1**. The terms and conditions of the Grants are described in **Attachment 2**.

Grantee Qualifications

To participate as a grantee, the applicant must:

1. Demonstrate a substantial record of affordable housing development in the District of Columbia during the last five years.
2. Have a strong record of success in its development activities, evidenced by a low rate of defaults and foreclosures.
3. Demonstrate an ability to identify funding to matching grant funds for rehab and construction of affordable housing sites for DMH consumers, in an amount at least equal to the amount of the DMH grant funds. Higher matching percentages are encouraged.
4. Provide technical assistance to landlords/owners.
5. Be ready to proceed immediately with implementation of the initiative.

Request for Qualification ("RFQ") Application and Evaluation Process

Prospective Grantees should submit 4 copies of a narrative response to the questions listed in **Attachment 3** to DHCD by no later than 4:00 p.m. Eastern Standard Time, Friday November 7, 2008. The submittals shall not exceed 5 pages (plus any list of projects and staff resumes). Applications shall be submitted to:

DC Department of Housing and Community Development
Development Finance Division
801 North Capitol Street, NE
2nd Floor Receptionist Desk
Washington DC, 20002

DHCD will review applications and expects to invite qualified applicants to be interviewed for selection by late November. Applicants should be sure to have qualified staff available for the scheduled interview with DHCD staff.

DHCD expects to complete the review process for the grantee within 30 days of the RFQ closing date. As soon as possible, DHCD will enter into a Master Grant Agreement with the Grantee to allow disbursement of funds to the Grantee.

General Conditions

The final determination and selection of the grantee shall be subject to all applicable MOU requirements, District laws and regulations, including, but not limited to, those that require community participation.

ATTACHMENTS

1. Terms and conditions for Master Grant to Grantee
2. Terms and conditions for Housing Improvement Grants
3. Form of Grantee Application

ATTACHMENT 1:

TERMS AND CONDITIONS OF MASTER GRANT TO GRANTEE

Name of Program:	Department of Housing and Community Development Housing Improvement Program (“HIP”) initiative
Purpose:	Designed to preserve multi-family rental housing for low and moderate income DMH consumers, using a partnership approach among financial institutions interested in funding development of affordable rental property in the District of Columbia, owners of District of Columbia residential rental property, and representatives of the District of Columbia government. The HIP initiative will address occupied and unoccupied privately owned, multi-family rental buildings and units in physical and/or financial distress. The initiative is intended to help owners formulate alternatives to deferred maintenance and abandonment that do not create involuntary displacement.

MASTER GRANT

Role of DHCD:	Make and disburse a Master Grant, to be distributed in grant form to the Grantee.
Master Grant Amount:	Up to one million dollars to a single grantee depending on demand and development track record.
Role of Grantee:	<p>Use Master Grant proceeds together with its own funds to provide housing improvement (rehabilitation or construction) funds for affordable DMH housing purposes.</p> <p>The Grantee must at least match DHCD grant funds, with its own funds, and is encouraged to provide a higher percentage of participation funds.</p>
Form of Leveraging:	Grantee may use the Master Grant to increase the amount of Grantee’s funding from other available sources for affordable rental housing.
Funding of Master Grant:	DHCD will disburse the full amount of the Grantee’s Master Grant within 45 days of entering into Master Grant Agreement with DHCD.

Master Grant Terms:

All DMH funds will be in grant form.

No more than ten percent (10%) of grant funds shall be used for administrative costs. Such costs may include, but are not limited to, the processing of applications, grant closing, property inspections, compliance monitoring and other services as required for the proper administration of the Funds. Accordingly, no less than ninety percent (90%) of all funds shall be used for financing the direct development of supportive housing units.

*On a quarterly basis, the Grantee shall submit invoices for all services, administrative costs, materials or other costs, which shall indicate the actual amounts expended.

The Grantee shall maximize the use of the funds by leveraging such funds from all other available sources to include for profit and non-profit organizations, government agencies and other entities, as appropriate, to increase the number of additional DMH Units and to keep the rental costs as low as possible for DMH consumers.

DMH Units must be held exclusively for DMH Consumers at the discretion of DMH. Projects supported with DMH grant funds shall identify the DMH Units.

There shall be a restrictive use covenant for no less than five years on all DMH Units that are developed with less than one hundred thousand (\$100,000.00) of DMH grant funds. Also, there shall be a restrictive use covenant for no less than 25 years on all DMH Units that are developed with more than one hundred thousand dollars (\$100,000.00) of DMH grant funds.

*DMH shall retain the right and the responsibility to refer eligible DMH Consumers to owners to fill vacancies in the use-restricted housing developed with DMH grant funds.

With the exception of community residential facilities, no more than thirty percent (30%) of the units at any one property may be set aside for DMH consumers.

With matching funds, grantee may provide loans at a rate to be approved by DHCD, and not to exceed 5%, depending on how much is borrowed and the size of the project.

Timely Use of Funds: Grantee must award funds for projects under the Initiative promptly. DMH grant funds not awarded within twelve months of disbursement by DHCD to the Lender are subject to recapture.

GRANT ADMINISTRATION

Development Progress Requirements: To be determined by the Grantee.

Grant Approvals: After Grantee secures approval of a proposed award of funds for a project by its standard internal process, it will provide project information to DHCD. DHCD will approve or disapprove its participation in the funding within 5 business days or DHCD shall inform the Grantee of any reasons for a delayed response.

Grantee Reporting to DHCD: Grantee shall report to DHCD quarterly on applications received, projects funded, number of proposed DMH Units at various income levels, the status of each funding package originated, and any default, suspension or termination of assistance, or transfer activities underway.

DHCD Requirements: DHCD shall coordinate and manage all use restrictions, and shall maintain records identifying each unit with a use restriction.

DHCD shall take all necessary steps to ensure compliance with use restrictions and shall take all necessary legal actions to recover funds when a use restriction is not complied with.

DHCD shall conduct an audit of the monitoring (monitoring to be performed by the grantee) of any construction or rehabilitation projects using these funds. DHCD shall make available audit reports to a designated DMH representative when applicable.

Project Review Committee: The PRC, formulated under the terms of the MOU and chaired by the Director of DHCD, reserves the right of review and to make recommendations regarding grant proposals received, prior to a grant award.

The PRC shall consider information on the suitability of the property that will use funds. Suitability includes size of house/apartment, bedroom space, common areas, condition of property, neighborhood amenities/services, safety from fire, security, access to public transportation, absence of drug activities and suitability of the location for promoting community integration. Project site evaluations may be conducted by the PRC.

ATTACHMENT 2:

TERMS AND CONDITIONS FOR HOUSING IMPROVEMENT (HIP) GRANTS

ELIGIBLE LANDLORDS OR OWNERS OF RESIDENTIAL RENTAL BUILDINGS

- Eligibility Qualifications:** Landlord or Owner of a Multi-family residential rental building, serving low to moderate income persons. Must be a 4-25 unit building with funded units reserved for the exclusive use of DMH consumers.
- Additional Grantee Requirements:** Grantee may impose its own requirements for landlords or owners of residential rental buildings, such as experience with project of proposed size, proposed tenure type, special housing needs, etc.

ELIGIBLE PROJECTS

- Eligible Properties:** Properties in the District of Columbia consisting of at least 4 units for development as rental housing, however, no more than 25 units. These properties must identify set aside units solely for DMH consumers.

DMH Units developed and financed with Funds shall be located in the District and, to the extent possible, located throughout the various wards in the District.

Housing providers or others operating or managing DMH units (being funded), will be in compliance with all District laws regarding decent and safe housing.

- Applicable Requirements:** Housing providers or others operating or managing housing financed and supported by Funds, must manage the DMH Units so that the units comply with all District laws regarding decent and safe housing.

For each grant awarded and project funded, DHCD will ensure a proper legal instrument is executed that includes the amount and the conditions of the grant and that also include:

- That the DMH Units shall be maintained pursuant to the U.S. Department of Housing and Urban (HUD) requirements and District housing codes to maintain the project in good repair and condition

and shall be subject to inspections and sanctions thereto to assure good repair and condition.

- Such other terms and conditions deemed necessary by DHCD that are not inconsistent with District and Federal law.

Affordability:

Each project to be funded, for the purpose of financing the construction and rehabilitation, will be for affordable housing. Affordable housing means housing from which the DMH Consumer's monthly cost, including utilities, does not exceed thirty percent (30%) of the DMH consumer's monthly income from Social Security Insurance or other applicable sources.

Project Feasibility:

Grantee shall determine that the project is feasible and eligible for financing as proposed by the landlord or building owner, with underwriting based on its standard requirements regarding project development budget, proposed operating budget, proposed sources and uses, and likelihood that other financial sources will be available on the terms propose.

**Eligible Rehabilitation/
Construction:**

Project scopes of work that will make the unit more habitable, including but not limited to:

- Roofing and Siding
- Exterior and Interior Painting
- Replacement of Sewer Lines
- Window Replacement
- Carpet Replacement
- Lead Removal
- Boiler Replacement and Improvement of Heating and Cooling Systems
- Plumbing Repairs
- Electrical Repairs

**Ineligible Rehabilitation/
Construction:**

Including, but not limited to:

- Illegal Apartments
- Finishing Basements
- Home Extensions
- Exterior Retaining Walls
- Walkways
- Foundation Repairs

- Kitchen Appliances

Required Documentation: To be determined by Grantee. These written guidelines or procedures for the origination, processing and underwriting of project applications and project sponsors will be given to DHCD, which it will provide to DMH for approval.

General Eligibility: Landlord or owner of residential rental building owner shall certify, as condition of accepting the grant funds, that:

- The project will comply with all requirements of the HIP initiative.
- The landlord or owner of the residential rental building owner will comply with all applicable District and Federal governmental laws and regulations.

GRANT TERMS

Grant Limit: DHCD will rely on Grantee's determination of maximum funding amount; however, grant funds may not exceed an average of \$42,000 per unit.

Security: To be determined by the Grantee.

Documentation: Grantee's standard application and origination documents. Grantee's form funding documents shall be reviewed and approved by DHCD.

Repayment: DMH funds will be in grant form and 0% repayable.

Interest Rate: Grantee may provide loans at a rate to be approved by DHCD, and not to exceed 5%, depending on how much is borrowed and the size of the project

Availability of Other DHCD Funds: Receipt of a loan/grant under the HIP shall neither prohibit nor guarantee long-term funds from other DHCD programs. Program grant projects will be evaluated and ranked on the same bases as other projects.

Grantee Compensation: Grantee may charge fees for grant applications, closings, etc., as agreed to by DHCD in the Master Grant agreement.

GRANT COMPLIANCE

Development Plan:

As a requirement of receiving a grant under the Initiative, the landlord or owner of the residential rental building must submit to Grantee, and Grantee will forward to DHCD, a comprehensive scope of work for the rehabilitation or construction of the property within three (3) months, but no later than six (6) months after grant closing. DHCD shall use its best efforts to approve or disapprove the scope of work within 7 business days from the date of its receipt. If such approval or disapproval is not given within 15 days of DHCD's receipt of the scope of work, the work shall be deemed approved by DHCD/DMH.

Failure to Develop:

Grantee's initial application and scope of work must include a list of specific dates for achieving required benchmarks. Grantee must ensure that it may declare a default under the grant agreement for failure to meet the schedule.

Default:

Events of default shall include, but not be limited to, a failure by the landlord or owner of the residential rental building to meet benchmark dates.

Grantee must exercise its reasonable discretion to determine whether a default should be declared, what steps should be taken to cure the default, and whether to suspend or terminate further assistance.

ATTACHMENT 3:

FORM OF GRANTEE'S APPLICATION

One original and three copies must be submitted. The original must have a signature page, signed by an individual authorized to apply on behalf of the organization. Respond to the following in a narrative not to exceed five pages:

1. Describe how you would utilize the HIP Initiative including:
 - Amount of DHCD/DMH funds sought
 - Use of Grantee funds
 - Types of grants/loans and projects on which Grantee focuses
 - Total risk
2. Describe the loan and grant agreements for affordable housing and community development that you have entered into within the past three years for projects in the District of Columbia. For each grant and loan, identify:
 - Grantee/Borrower
 - Brief project description (i.e., type of housing, number of units, number of affordable units, location)
 - Loan and grant terms – purpose of the loan and/or grant, loan repayment term and source, interest rate, interest payment terms, collateral/security
 - Loan status – outstanding, repaid in full, written off, borrower compliant or non-compliant with loan terms, etc.
3. Summarize information about the aggregate loan portfolio of your office responsible for District of Columbia lending, including:
 - Geographic area served
 - Total grants/loans made (amount and number)
 - Total loans repaid in full (amount and number)
 - Total loans written off (amount and number)
 - Loans currently outstanding – compliant/non-compliant
4. Describe current relationships with District of Columbia nonprofit affordable housing developers in addition to project loans and grants described above (lines of credit, etc.)
5. Describe your standard or typical terms for acquisition loans or grants for affordable housing, including:
 - Application and other fees
 - Loan duration

- Collateral requirements
 - Interest rate and timing of required payments
6. In general terms, what do you anticipate the demand to be for the grant funds under the HIP Initiative that would be provided by your organization, including types and scale of projects and locations?
 7. Provide:
 - a. The number and aggregate amount of District of Columbia grants under the HIP Initiative that you expect to be able to originate in the period December 8, 2008 to December 8, 2009.
 - b. The aggregate amount of your funds that you would provide as matching construction or rehabilitation funds for the projects funded under subparagraph a.

ATTACHMENTS

8. Provide resumes of all professional staff who will be working on Program funded projects under the HIP.
9. Provide copies of your standard loan documents (loan agreement, promissory note, deed of trust, and any other documents executed by borrower at or prior to loan closing).